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C O N F I D E N T I A L SECTION 01 OF 03 KHARTOUM 000106

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SUBJECT: SAVING THE NORTH/SOUTH PEACE

REF: KHARTOUM 00094

Classified By: CDA Cameron Hume, Reason: Section 1.4 (b) and (d)

11. (C) Summary: The Comprehensive Peace Agreement (CPA), the keystone of U.S. policy toward Sudan, is at risk. The death of John Garang, the south's charismatic leader, and the marginalization of Vice President Ali Osman Taha, the co-architect of the peace agreement, have taken vision and energy from implementation of the CPA. Armed militias still threaten the security of southern Sudan, and the withdrawal of the Sudanese Armed Forces (SAF) from the south is falling behind schedule. The Southern economy is finally growing, but North-South Boundary disputes keep the South from getting its full share of oil revenues. Plans for a national census and then elections no later than January 2009 are behind schedule. Without international action to energize implementation of the CPA, the most likely outcome is two Sudans, not the new Sudan John Garang hoped for. This message, the second in a three-part series, makes four proposals for action between now and the two-year anniversary of the government of National Unity on July 9. End Summary.

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Security Issues Place CPA at Risk; Ambushes Continue  
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12. (C) Security problems are the most likely cause for the CPA to fail. At ceremonies to celebrate the CPA's second anniversary on January 9, Salva Kiir, the first vice president of the Government of National Unity and the president of the Government of Southern Sudan, accused the Sudan Armed Forces (SAF) of deliberately violating the security provisions of the CPA. Kiir charged that SAF soldiers had participated in attacks on civilians in the South, citing recent ambushes on the road connecting Juba with Uganda, and that the SAF-funded renegade other armed groups (OAGs), who had either to be disbanded or withdrawn to the North. President Bashir listened with a stone face and then counter-attacked, accusing the Government of Southern Sudan of failing to implement other provisions of the CPA, including establishing customs posts on the roads to Uganda. South of Juba and along the border between Northern and Southern Sudan, OAGs are a real problem ) and remain ripe for NCP manipulation. In Malakal, a state capital on the Nile, such tension led to heated combat on December 4.

13. (C) Reform of the security sector is proceeding slowly. As required by the CPA, SPLA units have all withdrawn south of the 1 January 1956 North/South border, but the SAF is behind schedule in withdrawing from the South, in large part because it maintains concentrations of troops in the oil-producing areas south of the border. Joint Integrated Units (equally composed of SAF and SPLA troops) have been put in assigned locations in the main towns, but without proper training or support, and contrary to the CPA, companies in

these battalions remain separate units for both housing and training. The SPLA is gradually downsizing from a liberation army into a professional army of 85,000, but it still needs proper facilities and administration. The USG is supporting SPLA reform, although a deteriorating relationship with Khartoum may make this far more difficult to implement on the ground.

¶4. (C) Implementation of the security provisions of the CPA requires a renewed impetus. Without such an effort, conflict is likely in two areas: Along the 1 January 1956 border, especially where there is petroleum, both sides have concentrated troops and south of Juba where the SAF is stirring up militias along the strategically important roads leading to Uganda. First Proposal: given that IGAD countries and other partners played a major role in negotiations that produced the CPA, they should call for assessment of the security situation and compliance with the CPA. For example, IGAD could sponsor an assessment mission led by Kenya's General Sumbeiywo, who chaired the CPA negotiations, and two general officers from other stakeholder countries, with a mandate to consult with the parties, assess the status of CPA implementation, and prepare a report for submission to IGAD members and other CPA signatories. If, however, internal Kenyan politics sideline Sumbeiywo, an IGAD ministerial summit should launch an alternative

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Economy Key: Oil, Infrastructure, Sanctions, Aid, & Trade  
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¶5. (C) Economic issues divide the North and South. The Sudanese economy, which last year reached the level of \$1,000 per capita income, is growing at a rate of over 12% a year,

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but the wealth is concentrated in Khartoum and elsewhere the economy is impoverished and primitive. The CPA mechanisms for resolving such issues as distribution of oil revenues have made little progress. The National Petroleum Commission, composed by both sides, has played no role, and power in the sector is guarded jealously by Ahmed Mohamed al-Jaz, the NCP minister who used oil to build Sudan's strategic economic ties to China, Malaysia, and India. The North-South ad hoc Technical Border Committee has done no significant work. The Abyei Boundaries Commission, set up to answer the question regarding what was the territory transferred by nine Ngok Dinka chieftains in 1906 to the state of Kordofan, reviewed the inclusive evidence and then drew a straight line across the oil wealthy territory of Abyei, giving the lion's share of oil to the South. Khartoum has complained that the commission did not do the work correctly and exceeded its mandate; after one and one-half years, it still refuses to accept its decision. The South insists that the decision be enforced, as the Commission's finding is to be "final and binding" under the CPA. The stakes are high, and this dispute threatens the viability of the CPA. Meanwhile, residents receive no basic services due to the absence of local administration, which exacerbates inter-tribal grievances.

¶6. (C) The Southern economy, held back by the extreme lack of infrastructure, has started to grow. Roads to Uganda and Kenya, the South's two main commercial partners, are now open. In the past two years the customs market in Juba has grown from a few dozen stalls to several hundred stalls. Air service links the provincial capitals and Juba to Nairobi, Entebbe, and Addis Ababa. Although years are needed for economic change to reach some rural areas and decades for infrastructure to be built, the process has begun. The South sees its economic future linked to East Africa and the global economy, and less tied to Khartoum.

¶7. (C) The United States is a partner for aid, but not for trade. Unilateral sanctions are the main element in U.S. economic policy toward Sudan. First imposed in response to

the 1989 coup that brought the National Islamic Front government to power, both legislation (e.g., the recent Darfur Peace and Accountability Act) and executive action, such as Sudan's inclusion on the list of State Sponsors of Terrorism, expanded the sanctions. As a result, the United States has negligible trade with Sudan and minimal investment in the country. During the same time, Sudan's economic ties with China, India, and Malaysia have boomed; ties with Japan and Europe have grown modestly. President Bashir claims that the U.S. sanctions are pushing the South away from Khartoum and that the USG reneged on promises to end sanctions on trade and investment after the signing of the CPA. Paradoxically, Kiir claims that sanctions disproportionately hurt CPA-mandated wealth transfers to the South.

18. (C) The international Sudan Consortium, which will meet in Khartoum and Juba in March, should push for progress on the key issue of oil revenue. This complex issue involves determination of the 1 January 1956 border, resolution of the Abyei dispute, correct and verified monitoring of petroleum shipments, attention to environmental risks associated with petroleum operations in the South, and transparency in the granting of oil production licenses. If Sudan, North and South, expects massive donor support, then donors should have access to reliable information on how Sudan, with an economy growing at over 12 percent, is using its own considerable resources. Second Proposal: the United States should present to the Sudan Consortium a specific initiative to address these issues through both World Bank/UN studies and bilateral action.

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High-Level Attention Key for CPA, Elections, Transformation  
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19. (C) On the surface, Sudan's political reform has gone forward. The National Congress Party (NCP) and the Sudan People's Liberation Movement (SPLM) formed the Government of National Unity, organized the parliament, and distributed positions at all levels of government as they had agreed in the CPA. The SPLM established the Government of Southern Sudan in Juba, with a limited number of positions for its NCP partners, and likewise set up the ten state governments in the South. The new government in Juba is still, however, a very weak institution, especially in such areas as infrastructure planning, financial management, and human resource development.

110. (C) Below the surface there has been very little political transformation. Whether in Khartoum or in Juba,

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military officers are in charge. Elections have had no role in deciding who rules. The NCP uses the instruments of state power, including the security services, to limit the scope for opposition parties and to manipulate the public agenda. It would be severely challenged in a genuinely free and fair election. The SPLM, which has broad popular support in Southern Sudan, has made impressive first steps to establish itself in the North.

111. (C) There is nonetheless a major risk that elections will not be held on time. The CPA specifies that before elections, a census will be conducted throughout Sudan, but arrangements for the census are falling behind schedule. Understandably, both the NCP and SPLM are more eager to consolidate their positions in power than to hold elections. If the elections are to be held as scheduled, either the census must be expedited, or agreement must be made to hold the elections before the census. Given the time needed either to conduct the census and then prepare for elections or to organize elections without a census, a choice must be made promptly. Third Proposal: at the Sudan Consortium meeting in March, the USG should seek agreement for a UN study of the issue, based on its experience helping governments to perform a census or to conduct elections

without a previous census.

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Peace Needs Renewal, High-Level Attention  
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¶12. (C) Overall, the situation has more causes for alarm than for reassurance. U.S. policy intended the Comprehensive Peace Agreement to be a turning point for Sudan, a transformation from a failing state to a more just and democratic state that can be a partner for stability and security in a very dangerous part of the world. Sudan is now at the halfway mark between signature of the peace accord and its first major turning point, national elections. The South is on a constant trend line toward separation, and on balance U.S. policy is tending in the same direction; for example, help to build roads joining Southern Sudan to Uganda but sanctions prohibiting sales of locomotives for the railroad from Port Sudan to Southern Sudan. The Assessment and Evaluation Commission, set up to monitor CPA implementation, has only a muffled voice because both the NCP and SPLM must agree to any of its decisions. If nothing is done, a nasty separation of the South from the North is likely within five years, followed by other problems.

¶13. (C) The Comprehensive Peace Agreement needs renewed high-level, international political attention. Fourth Proposal: one way to secure that attention would be to celebrate the second anniversary of the Government of National Unity and to commemorate the second anniversary of the death of John Garang by reconvening the parties who signed the CPA (Government of Sudan, SPLM, Kenya and Uganda on behalf of IGAD, Egypt, Italy, the Netherlands, Norway, the UK, the U.S., the African Union, the EU, the Arab League, and the United Nations). Such a meeting could receive the results of the proposals made above to review progress in the security sector, to assess the sharing of revenues from petroleum sales, and to study the best way to hold elections as planned by January 2009. President Bashir and Vice President Kiir should receive credit for what they have done well, but the session should tell them to address pending security, economic, and political problems with real urgency.

¶14. (SBU) Note: The final message in this three-part analysis will address power in Khartoum and U.S./Sudanese relations.

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